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COAL

An argument for Reciprocity in Coal between United States and Canada.

By W. C. Milner

American coal cannot compete with Nova Scotia coal in Montreal for two reasons:—

1st—Cheap water transportation from Sydney to Montreal.

2nd—Expensive transportation from American mines to Montreal, which is either all rail or mixed rail and barge through the canals.

In 1879, when the N. P. was inaugurated, the coal trade from Nova Scotia to both Montreal and to Boston, and other New England points, was carried on in wooden vessels carrying from 200 to 400 tons. The freight rates to Boston and Montreal were about the same, averaging say \$175. to \$2 . per ton. Afterwards, steel as a ship building material, came into use and the size of vessels increased rapidly so that they reach now to 4,000 , 5,000 and even 6,000 tons. The result of this change has been to reduce the freight on coal to Montreal to 75 cts. per ton. Within a few months, the Dominion Coal Co. has carried coal as low as 50 cts. per ton, so I am informed. The rate to Boston has been reduced to 50 cents. The Dominion Coal Co.'s rate to the Everett Coke Works is 45 cents; therefore, the saving in freighting has been about three times as much as the customs duty.

The shipments of coal to Montreal have developed in almost an exact ratio to the increase in the size of vessels employed, and in the consequent reduction in freight rates. It is, therefore, not too much to assume that whatever impulse the coal trade may have received from the duty imposed in 1879, its great development the past 15 or 20 years has been owing to the indirect protection afforded by the enormous reduction in water freight rates.

It may be asked if the rates of transportation by the American transportation lines have not also decreased during the same time? The answer is "yes," but not in the same proportion. This may be illustrated by the rates of wheat freight per bushel from Chicago to the sea board, as given by the report of Canal Commissioners of New York in 1899.

Taking two periods widely apart, say 1868 and 1897, by the three methods of transportation: Lake and Canal, Lake and Rail, and All Rail, we have:—

	L. & C.	L. & R.	All Rail.
1868.....	16.23	20.76	30.49
1897.....	4.35	7.37	13.32

The differences in cheapening are All Rail 57%, L. & R. 65%, L. & C. 73%.

The same report states that the construction of railways from Albany to Buffalo has reduced freight rates from 2 cents per ton mile to 6 mills. The cheapening of ocean transportation—which is the important factor in marketing the tide water coals of Nova Scotia—is still more marked. The size of vessels largely determines the rate of freight. Canal boats are limited by the depths of the sill locks. The capacity of sea-going vessels is limited only by the depth of water in harbors. To illustrate these principles it is not necessary to say more than quote the average annual of freight rate on wheat per bushel from New York to Liverpool by steam in successive periods:—

1871.....	8½	pence.
1876.....	8	"
1881.....	4½	"
1886.....	3½	"
1891.....	3½	"
1896.....	21 5/16	"
1901.....	1½	"
1902.....	1 1/16	"
1904.....	1½	"

Thus in thirty years the cost of ocean transportation of wheat by steam has decreased over 80 per cent. The same conditions have influenced deep water coal transportation and worked a revolution in the tide water mines of Nova Scotia.

How do the freight rates to Montreal from Nova Scotia and the American mines compare? First rail and then water.

The rail distances are:—

Punxsatawney to Montreal	656 miles.
Buffalo "	451 "

The rate at 5 mills per ton mile would be \$3.27 per ton from Punxsatawney; at 3 mills it would be \$1.96 per ton, which is regarded as the bare cost, allowing no profit.

The ordinary freight rate per Pennsylvania Railway, Michigan Central, Grand Trunk and C. P. R. to Montreal from Toledo is \$3.20, from Pittsburg \$3.25.

[Tariff April 1st, 1903].

Some American coal was purchased the past season at Messena Springs, the price there gross was.....	\$2.90
Duty.....	.60
Freight to Montreal.....	.70

\$4.20

These figures are ample to shew that rail shipments to Montreal from the American mines are commercially impracticable, under present economic conditions.

As the item of transportation to a coal market is usually much greater than the item of cost at the pit mouth, it needs no argument to shew what the immense value the decrease in the cost of freighting has been, and how greatly that element has come to transcend in importance, the protective value of the duty on U. S. coal!

The conclusion is therefore inevitable, that in cheapening processes both by rail and water, the balance of advantages has been altogether in favor of the Nova Scotia tide water mines in comparison with mines of the United States, situated from 300 to 500 miles in the interior. The practical application of these facts and laws is no where seen better than in Montreal.

The quantity of American coal coming into that city and the territory tributary to it is estimated at 60,000 tons per annum, though the customs returns of the port give about 35,000 tons. This comes in by canal in summer, except a small percentage by rail. About one-third comes from Cleveland, Ashtabula, Lorain and other Lake Erie ports, and two-thirds from Oswego, Charlotte and other Lake Ontario ports. The water rates from the latter ports to Montreal are from \$1.00 to \$1.10; from Lake Erie ports from 25 cents to 40 cents more. The rail rate from the mine to the shipping port is usually from \$1.00 to \$1.25. The cost of American run of mine, delivered in Montreal, the past year has varied from \$3.80 to \$4.55 gross tons. The lower price would not give the operator more than say 90 cents per ton for his coal. The price of Sydney coal to the dealer in Montreal has shaded the smaller figure about 10 cents, or is \$3.70.

If the duty of 60 cents were removed, the price of American coal would be in Montreal from \$3.20 to \$3.95. The lower price

would be 45 cents per ton more than the Dominion Coal Co. supplies the railways, and 30 cents more than it has been supplying the Montreal Gas Co.

If these figures are correct, and they can be readily tested, it will be seen that the effect of the duty enables the coal companies to charge the ordinary consumers in Montreal from 80 cents to 95 cents per ton more than they can afford to charge the large companies.

The duty has long ceased to be a protective one; it places a weapon in the companies' hands enabling them to studiously practice a discrimination in their prices that is manifestly unjust to a large portion of the consumers. The prices at Montreal can be still further illustrated: The current price at Prescott of American run of mine net tons the past season was \$2.25
Freight to Montreal, 113 miles say60
Duty..... .53
Converting to gross tons..... .42

Total cost in Montreal..... \$4.10

Run of mine at Sodas Point the past season was as low as \$2.10 per ton. This could be delivered across the lakes, west of the St. Lawrence Canals at about \$3.00 per ton. Nova Scotia coal cannot compete at these prices in Eastern Ontario.

New England coast towns are supplied with coal by water from Norfolk, Baltimore or some other of the loading ports south connected by rail with the mines. This involves a rail charge, a water charge and expenses of transshipment at the loading port. The rail distances from the mines to the coast are:—

To Norfolk by N. & W. Ry.....	519 miles.
" Newport News by C. & O. Ry.....	380 "
" Baltimore by B. & O. Ry.....	338 "
" New York by N. Y. C. Ry.....	444 "
" Philadelphia by Penn. Ry.....	225 "
" South Amboy by Penn. Ry.....	322 "

The water distances are:—

Newport News to Boston	515 "
Baltimore " "	641 "
Philadelphia " "	477 "
New York " "	300 "

The coastwise freights, 24th Jan'y, were:—

New York to Boston.....	70 cts.
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Philadelphia to Boston.....	80 "
Baltimore to Boston	85 cts to 90 cts.
Norfolk to Boston	75 cts.

Assuming that the water rate from Sydney to Boston is 50 cents, and I am informed that in existing contracts the rate is less—it will be seen that, in water transportation alone Sydney coal has an advantage of from 20 cents to 40 cents over American coal. This would be exclusive of the rail rate and cost of transportation. The ordinary rail rates from West Virginia mines to tide water is \$1.35 per ton; from Clearfield and Beech Creek regions to New York, \$1.50; to Philadelphia, \$1.20; to Baltimore from George's Creek, \$1.28; to Norfolk, \$1.35. Thus the transportation charges on all coastwise coal entering Boston are about \$2.00 per ton. The Sydney operator is protected as against the American shipper to the extent of about \$1.50 by cheaper freights in that market.

It has been stated that in some cases the Railway Companies own the mines and when competing they can fix their charges for either mining or transportation at any required figure to beat their competitors. A little reflection ought to dispel any such misapprehension.

The average rate of the eight anthracite roads per ton mile for 5 years, up to 1905, slightly exceeded 7 mills; and of all the railways in United States in 1904 it was .787 cents.

The averages of the anthracite railways show a slight increase in rates as follows:—

1900.....	.724 cents per ton mile.
1901.....	.720 " " "
1903.....	.733 " " "
1904.....	.739 " " "

The rates on the l'uminous railways do not, it is safe to say, differ materially from the above rates. For mining coal and transporting it are done on small margins, and there is but little room for rate cutting in any companies that depend upon the business to meet their fixed charges and operating expenses. The work of mining and shipping any lot of coal is not materially effected, whether done by one company alone or by a dozen of them; in any case the coal has to meet the same competition at the loading port. The coal at that point has to meet all the charges, however divided.

The output of the American mine is one million tons per day for every day in the year.

The output of the Nova Scotia mines would barely stand five days in the year. Neither the American soft coal operators or miners have ever yet organized a general combination, either as to prices or wages, and to suggest that they would now come together to put down the price of coal in order to kill Nova Scotia competition, when the loss to themselves would be incalculably greater, is to suggest the incredible.

The Grand Lodge of the Provincial Workmen's Association of Nova Scotia passed resolutions in August last, protesting against Free Trade in coal on the ground that no greater injury could be done to the mining interests and mine workers than by free admission of bituminous coal.

If the Grand Lodge of the P. W. A. has any facts, figures or reasons for adopting such a resolution they have successfully concealed them from the public, for they have published nothing to warrant any acceptance by any body of such a protest.

It is a fair principle that those seeking the establishment or maintenance of any special right or privilege should be able to furnish some reasonable or adequate cause, and the failure of Mr. Moffat, the Secretary of the P. W. A., to do this naturally discredits the assumptions of the P. W. A. Mr. Moffat asserted before the Committee that during the past seven years the miners occupied a better position than formerly—"they had steady employment and better wages." Their better condition the past seven years cannot be attributed to the coal duty because that was in existence for twenty years previously. If anything occurred seven or eight years ago to benefit the miners it had no connection with the coal duty, and furnishes no reason for its continuance.

The protest of the P. W. A. proceeds upon the assumption that the duty was originally asked for in the wage interest, which is a fundamental error. In the petition which the coal owners of Nova Scotia universally signed in 1877, they asked first of all for a bounty on coal shipped out to United States to countervail the American duty. In the event of that not being conceded they asked for a duty, they stated, "not in the interests of protection but of free trade." They wanted primarily a market for their coal. Wages were not mentioned for the obvious reason that a market meant employment, and employment wages, and as long as they got an outlet for their coal it was presumed that the wage would settle itself according to the

laws of supply and demand.

The coal business was in a very ruinous condition: the miners had been receiving state aid and the cry was for a market before all other considerations.

Mr. Harvey Graham in his evidence before the Commission claimed that Montreal was practically the Western limit of the N. S. coal market. If so, from there to the sea board embraces the available market. That territory embraces a population of 2,000,000 people, and their annual consumption is not over 4,000,000 tons. The population within this area is increasing but slowly, and their coal requirements cannot possibly keep pace with the possible development of the coal areas of N. S. Passing over the question as to where the companies who oppose free trade in coal with New England expect to find an expanding and adequate market, if not in New England, it may be stated that the coal companies find the home market so profitable at present that they are indifferent to the great possibilities of New England market. Prices to the people in Nova Scotia have increased within six years from thirty-five to fifty per cent. In the coal districts the price has risen from \$2.00 to \$3.00 per ton. In Halifax and other consuming centres it has been greatly increased. Assuming that they are supplying the large Railway Companies at Montreal at \$2.75 per ton; at a profit, what is their profit when they supply the dealers there at \$3.70?

They oppose the removal of the duty because it enables them to maintain this high figure, whereas were the duty removed competition would compel them to supply the dealers at per \$3.25 to \$3.75.

The United States coal operators have to be satisfied with a profit of ten cents per ton, but in consequence of the duty the Nova Scotia operators profit is five or six times as great.

The Dominion Coal Company's last report states that the output in 1904, was 3,023,522 tons, on which there was a net profit of \$1,620,475. In 1903 there was an output of 3,147,766 tons, on which there was a profit of \$1,756,023. In 1902, the year of the strike, when shipments were made to New England free of duty, the profits were still larger, being nearly 60 cents per ton, the figures being net profits of \$2,1345,955 on an output of 3,174,227 tons. The advantage the duty gives that company, as to prices in the St. Lawrence market are so great that Hon. James Ross in his last report, virtually advertises it as a monopoly. He quotes a letter signed by two eminent mining

authorities, Messrs. Emmerson Bainbridge and George Blake Walker, dated 19th April, 1905, who state:—

"The favorable conditions of working, coupled with the fact that Cape Breton coal fields held a practical monopoly of the St. Lawrence market and unless barred by future legislation can face any competition in the New England market are of great value * * * we do not believe any existing Coal Co. enjoys advantages so favorable."

The reasons are then apparent why the two leading Coal Companies of Nova Scotia have abandoned the pleas advanced by the coal operators in 1877 for a duty, and repudiate the platform then set up, namely, an open market and free trade with New England, and having established a "practical monopoly" in the St. Lawrence market, oppose any efforts to remove it.

To show the intentions and expectations of the Government in imposing the duty, I quote, Sir Charles Tupper in Parliament on 22nd April, 1879:—

"He believed that the duty of 75 cents per ton imposed by the American Government on coal going in there, and by which the mining industry of Nova Scotia had been paralysed, by being shut out of that market, would be removed in consequence of the imposition of the Canadian duty * * * the duty on the Canadian Statute Book would be a declaration that the moment that they returned to the natural and rational principle that prevailed before the imposition, that they (the Americans) would have the liberty of supplying this country with 900,000 tons per annum. He believed the effect of the duty would be to give free coal to both United States and Canada at a very early date. Then the natural result would follow that the Mines of Nova Scotia would supply the Atlantic States and the United States mines would supply Toronto and Western Canada."

W. C. MILNER.

February 7th, 1906.

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